

Internal Scrutiny Report **2021-22**

Academy: Michaela Community Schools Trust
Review: January 2022

Executive Summary

This report provides assurance that adequate controls are being operated within the academy , based on the understanding that the information provided during the review is accurate and complete. It should be noted however that recommendations to improve controls, if implemented, cannot guarantee that fraud or misappropriation could not occur.

Recommendations raised in the report issued should be considered by the board of trustees / Audit and Risk Committee to assist them in providing assurance over the suitability of, and compliance with, the systems and operational controls in place.

No fraud was identified or reported to us for the 2021-22 period. It remains the responsibility of management to manage the control environment to help identify potential fraud and prevent the likelihood of fraud occurring.

Introduction

The Academies Handbook section 3.1 specifies “all academy trusts **must** have a programme of internal scrutiny to provide independent assurance to the board that its financial and non-financial controls and risk management procedures are operating effectively”. Providing that the trust has selected a scope of work for financial and non-financial controls and has considered its risk register, this Internal Scrutiny Annual Report demonstrates how the trust meets the Academy Handbook requirement for financial areas.

Scope

The relevant board approved the below scope of work for review 1:

Governance Framework
Internal scrutiny of controls and processes relating to Policies, Transparency, Publication of information.
Review 1 of 2
Financial Oversight & Appointments
Related Party Transactions - Register of Interests
Related Party Transactions - Declaration of Interest Forms
Related Party Transactions - Conflicts of Interest
Related Party Transactions - Reporting
Transparency - Publication
Transparency - GIAS
Suitability of members
Gifts
Risk
Business Continuity
Internal Scrutiny - Audit and Risk Committee
Whistleblowing
Unresolved Issues

Banking
Review to establish the effectiveness of the controls and processes for banking and BACS transactions.
Bank Account Structure
Authorised Signatories
BACS
Bank Reconciliation
Sample testing of bank reconciliations
Cheque payments
Unresolved Issues

Individual recommendations Key:

High Priority: Trustees must review this recommendation as a priority.

Medium Priority: Internal controls should be strengthened to minimise risk.

Low Priority: Internal control could be strengthened in line with best practice, but minor risk of material loss.

Summary of Findings

High Priority

Governance Framework

Related Party Transactions - Register of Interests	At the time of the review the register of interests did not detail all current members and senior employees.	Section 5.45 of the Academies trust handbook states that "The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees and senior employees"	
	Management Response: Awaiting return of forms from two new members. AM to pursue	Responsibility: AM	Due Date: ASAP
Business Continuity	It was advised that the academy's management of risks does not include contingency and business continuity planning.	Section 2.39 of the Academy trust handbook states that the academy's management of risks must include contingency and business continuity planning. The academy should have an appropriate documented plan in place that sets out the contingency arrangements that would enable the academy to cope in an emergency situation. The plan should be formally reviewed, annually is recommended.	
	Management Response: AM to progress with Operations Manager.	Responsibility: AM/VS	Due Date: Summer term FGB 1

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High Priority

Unresolved Issues

The following 'high priority' finding was also a 'high priority' issue in last year's report:

- The academy's management of risks did not include contingency and business continuity planning.

Section 4.16 of the Academy trust handbook states that the board of trustees, taking advice from the audit and risk committee, must ensure there is an appropriate, reasonable and timely response by the trust's management team to findings by external auditors, taking opportunities to strengthen systems of financial management and control.

It is therefore recommended that an action plan is established to address the issue identified within this report as 'high priority' which was also included as 'high priority' in last year's Internal Control Evaluation report, with an associated owner and a timeline for implementation. If trustees decide not to implement any recommendation classed as 'high priority', the rationale should be formally recorded in the minutes of a board of trustees meeting.

Management Response: **See above**

Responsibility: **See above**

Due Date:
See above

Medium Priority

Governance Framework

Transparenc y - Publication	The accuracy of the register of interests could not be verified, therefore it was not possible to verify the information published on the website.	Section 5.48 of the Academies trust handbook states: "Trusts must publish on their websites relevant business and pecuniary interests of members, trustees and accounting officers. Trusts have discretion over the publication of interests of other individuals named on the register. The Charity Commission offers guidance in Manage a conflict of interest in your charity and CC29: Conflicts of interest: a guide for charity trustees."	
	Management Response: This relates to the missing forms from two of the new members. The register published on the website is accurate apart from these omissions.	Responsibility: AM/EK	Due Date: ASAP

Medium Priority

Banking

Bank Reconciliation	During the review it was evidenced that bank reconciliations are not completed promptly.	Formal bank reconciliations (financial accounting system bank balance to bank statement balance) should be completed at least once every month. Where bank reconciliations are not <u>promptly</u> and accurately completed, errors, omissions and fraudulent transactions may go undetected resulting in financial loss and reputational damage to the school.	
	Management Response: Bank reconciliations are normally completed promptly. However, the bank reconciliation for November was delayed by preparation for the audit. Bank reconciliations are now up to date.	Responsibility: AM	Due Date: Completed
Authorised Signatories	The signatories contained in the email from the bank held on file, dated 14th December 2021, did not agree to those listed in the Finance Policy. It was advised by the Finance Manager that the Finance Policy has been amended and will be presented to the board of trustees for approval at the meeting scheduled for the 7th February 2022. Completed	The academy should ensure that the information contained in the bank mandate is consistent with that recorded in the Finance Policy approved by the board of trustees.	

Low Priority

Governance Framework

Related Party Transactions - Register of Interests	The Register of Business interests reviewed does not include all the required information.	Section 5.45 of the Academies trust handbook states that "The academy trust's register of interests must capture relevant business and pecuniary interests of members, trustees and senior employees, including: - relevant directorships, partnerships and employments with businesses, - trusteeships and governorships at other education institutions and charities, - for each interest: the name and nature of the business, the nature of the interest and the date the interest began.	
	Management Response: Dates for all interests have now been added to the register.	Responsibility: Completed	Due Date:
Whistleblow	The Chair of Trustees had approved the current	The Whistleblowing Policy should be approved by the	

ng	Whistleblowing Policy dated September 2021; however the approval had not been recorded in the minutes of the board of trustees. The policy was published on the academy's website.	board of trustees and recorded in the minutes of the of the relevant meeting.	
	Management Response: Governors to note Whistleblowing Policy was approved by Chair's Action at the meeting on 07.02.22	Responsibility: AM	Due Date: 07.02.22

Low Priority

Banking

BACs/Faster Payments	The Finance Manager advised that suppliers are contacted to verify bank details before they are input onto the financial accounting system but this could not be verified during the review.	New supplier bank account details must be verified with the supplier. Documentation for each supplier bank detail amendment/creation should include evidence of a phone call made to the supplier to confirm the new bank details. This record should contain who made the call, the date the call was made and the supplier representative spoken to.	
	Management Response: Changes made to form completed by Finance Assistant to demonstrate that these checks take place	Responsibility: AM/EB	Due Date: Completed

Notes

Governance Framework

Risk Register	The Finance Manager advised that the Risk Register created in the last 12 months, is to be presented for review at the next board of trustees meeting scheduled for the 7th February 2022.	Section 2.38 of the Academy trust handbook states that the academy must manage risks to ensure its effective operation and must maintain a risk register. The board of trustees must retain overall oversight of the Risk Register and must review the Risk Register at least annually; each term is recommended. The review of the Risk Register must be recorded in the minutes of the of the relevant meeting.	
	Management Response: This is not yet ready for review, c/f to summer term FGB	Responsibility: AM/VS	Due Date: Spring term FGB 2
Internal Scrutiny - Audit and Risk Committee	The functions of an audit committee are performed by the board of trustees. It was noted that there are members of staff who are members of the board of trustees.	Section 3.11 of the Academy trust handbook states where the academy operates a combined Finance and Audit Committee employees may be members but should not participate as members when audit matters are discussed; they may remain in attendance to provide information and participate in discussions.	
	Management Response: Clerk is aware that staff members of the board do not have voting rights with regard to audit items and may be asked to withdraw	Responsibility: AM	Due Date: Completed

	from the meeting if a conflict of interest is evident		
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KEY CONTACTS

Juniper Education Review Consultant	Glenys Keeble
Juniper Review Programme Manager	Joanne Ward - ACCA
Information Provided by	Finance Manager
Exit meeting attended by	Finance Manager
Chair of the Board of Trustees	Chidi Amadi
Accounting Officer / Headteacher	Katharine Birbalsingh
Chief Financial Officer / Finance Manager	Ali Mansfield
Financial Accounting System	Sage 50 Accounts Professional

EMERGING ISSUES - 2021

FINANCIAL HANDBOOK

The new Academies Trust Handbook has been released ready for implementation from September 2021. Trustees should ensure that they have read this document and noted any changes to ensure any new requirements are adhered to.

https://assets.publishing.service.gov.uk/media/60c8d0318fa8f57ce8c4621e/Academy_trust_handbook_2021.pdf

CYBER SECURITY

Cyber security has continued to be a growing area of concern and risk over the past 18 months, with more people working remotely and an increased frequency of email hacking, phishing and malvertising. The July 2020 [governance update](#) advises that schools should include an assessment of cyber security within their risk registers, and the ESFA have produced further guidance and suggested questions that trustees can ask on the [National Cyber Security Centre website](#).